

Section B-6

Personal Financial Management

The contents of this Toolkit have been developed to assist you in your efforts to support family readiness. Every effort has been made to ensure that the information provided is current and accurate. However, because statutory and regulatory changes may have occurred since the publication of this Toolkit, the Office of the Assistant Secretary of Defense for Reserve Affairs cannot assume responsibility for its continued accuracy. Before taking any significant action based on the contents of this Toolkit, you should contact your Family Readiness Program representative or legal officer, as appropriate, to secure the most current information.

Personal Financial Management

Military Pay and Allowances

The military finance system is complex and multi-faceted. Your military unit and finance office are able to assist you with any questions about pay and allowances. The recently published "Guide to Reserve Family Member Benefits" is an excellent reference and can be downloaded from the Internet on the Reserve Affairs web site, <http://www.defenselink.mil/ra/>. Other comprehensive resources that provide current information on pay rates for Reserve members for a single drill, a weekend tour of drill (four drills), 14 days of annual training, and a complete earnings table can be located at: <http://www.military.com> under the Resources and Reserve links.

Basic Pay

The amount of basic pay is determined by the length of time in service and rank.

Basic Allowance for Subsistence (BAS)

BAS is a non-taxable allowance for food and is paid when you serve on active duty. An enlisted member may, under certain circumstances, receive a commutation (commuted rations) when performing inactive duty training. The current BAS rates can be accessed at <http://www.dfas.mil/money/milpay/pay/>.

Basic Allowance for Housing (BAH)

BAH is the basic non-taxable allowance for housing which replaces BAQ (basic allowance for quarters) and VHA (variable housing allowance). BAH increases with rank and varies by location. The BAH with-dependent rate goes to service members with at least one dependent but does not increase with additional family members. BAH is intended to provide partial compensation for the cost of housing while you serve on active duty. BAH is used to compensate you when serving on active duty for more than 139 days or for service members serving in support of a contingency operation (i.e. Kosovo).

BAH-II

BAH-II is the equivalent to what used to be the basic allowance for quarters and does not vary by geographic location. BAH-II is used to compensate individuals when serving on active duty less than 139 days, not in conjunction with a contingency operation. BAH and BAH-II rates can be accessed at: <http://www.dtic.mil/perdiem/bah.html>.

Inactive Duty Training (IDT) Pay

This is peacetime duty and is commonly referred to as "drill pay." The amount earned for each drill equals 1/30th of the monthly basic pay rate for the service member's rank and years of service. The current IDT pay chart can be accessed at: <http://www.dfas.mil/money/milpay/pay/>.

Incentive or Special Pays

Many Guard and Reserve members are eligible for additional special pays for a wide variety of skills or duties. This is in addition to basic pay or IDT pay. Examples of incentive or special pay include *Aviation Career Incentive Pay* (for pilots, navigators, crew members, and flight surgeons), *Hazardous Duty Pay* (parachuting, demolitions work, carrier flight deck operations, etc.), and *Hostile Fire/Imminent Danger Pay* (for service members serving within an officially declared hostile/imminent danger zone). Other examples of incentive or special pays are related to duty associated with diving, sea duty, submarine duty, foreign language proficiency, and healthcare professionals. All basic pay and incentive pay is taxable. These special pays are authorized under Title 37, U.S. Code.

Family Separation Allowance

Family Separation Allowances (paid monthly when a service member is ordered to active duty away from permanent duty station in excess of 30 days, but not exceeding 20 weeks). Pay is only paid to service members with dependents.

Other Allowances

The military provides other smaller allowances to help cover the cost of new uniforms and official travel.

- **Travel:** The government pays for official travel when you are required to perform temporary duty away from your permanent duty site, with some restrictions. The type of transportation must be the least expensive option that is timely and appropriate.
- **Clothing and Uniform:** The military replaces enlisted Guard and Reserve members' worn-out uniforms with new clothing items or they may provide a cash allowance if clothing is not provided. Guard and Reserve officers receive the initial allowance of not more than \$400 and can receive a supplemental allowance of not more than \$200 each time they serve on active duty for more than 90 days unless it is within two years of receiving their initial clothing allowance or an allowance of more than \$200 or the officer entered on that tour within two years of completing a period of active duty of more than 90 days. Guard and Reserve members are allowed to list on tax form 2016 (Employee Business Expenses) all non-reimbursed uniform expenses to include maintenance, repair or alterations of uniforms.

Direct Deposit of Pay and Allowances

Pay and allowances are sent to the service member's designated financial institution account via electronic funds transfer. Direct deposit is mandatory.

Taxes

Federal income and social security taxes are automatically withheld from basic, and special and incentive pays, inactive training pay and funeral honors duty stipend. Allowances such as BAS and BAH are exempt. Service members on active duty pay state income tax only to their state of legal residence regardless of where they are serving.

Guard & Reserve Family Readiness Programs Toolkit

Travel:

- If a Guard or Reserve member is required to stay away from their principal place of residence overnight while performing authorized drills (IDTs) and training duty (AT/ADT) he or she may deduct all of the cost of the travel expenses including meals, subject to a limitation of 50%, and lodging (if it is not furnished).
- There are many times when Guard and Reserve members are required to drive to the Reserve Center at dates and times other than normal drills. Service members are entitled to deduct round-trip mileage since the travel was performed in order to meet higher authority directives. It is important to keep a log of any additional trips and miles. They can be reported for tax purposes (under Employee Business Expenses) with complete information including name, rank, unit attached, brief description of position and duties assigned, number of drills attended, pay/non-pay, and the number of miles from your business location to the Reserve Center.

Special Tax Treatment

Your service may cause you to incur expenses for which law does not allow reimbursement. You are, however, allowed to deduct some of these expenses from your income tax.